

Message Text

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12

ACTION NEA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-03

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TO SECSTATE WASHDC 0000

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E.O. 11652: N/A

TAGS PINT, IR

SUBJ: SHAH ADDS STOCK OWNERSHIP, EQUITABLE PRICING TO HIS
REFORM PROGRAM

1. IN HIS AUGUST 6 ADDRESS MARKING A RELIGIOUS HOLIDAY AND THE ANNIVERSARY YEAR OF IRAN'S CONSTITUTION, SHAH ATTACKED HIGH PRICES AS EXPLOITATION OF MAN BY MAN WHICH MUST BE ELIMINATED. HE PLEDGED ACTION TO GIVE IRAN ECONOMIC AS WELL AS POLITICAL DEMOCRACY. IN PART THIS IS TO BE ACCOMPLISHED BY CONTINUING ACTION TO ENCOURAGE SALES OF SHARES TO WORKERS (TEHRAN A-163 OF JULY 25, 1975) AND TO KEEP PRICES DOWN (TEHRAN 6867). THESE TWO POLICIES ARE TO BE FORMALLY ADDED TO TWELVE-POINT "SHAH-PEOPLE REVOLUTION" (SEE TEHRAN A-31 OF FEBRUARY 24, 1975) AS POINTS THIRTEEN AND FOURTEEN RESPECTIVELY.

2. SALE OF SHARES TO WORKERS NOT YET BEING IMPLEMENTED INDUSTRY-WIDE DESPITE PUBLICATION OF LISTS OF COMPANIES WHICH MUST PREPARE TO TAKE THIS STEP. SPOTLIGHT OF PUBLIC ATTENTION HAS RECENTLY BEEN FOCUSED ON THE COMPANION PROGRAM OF CONTROLLING PRICES. DURING THREE WEEKS FOLLOWING SHAH'S DIRECTIVE THAT A DETERMINED EFFORT MUST BE MADE AGAINST INFLATION, GOI, AT LEAST OSTENSIBLY, HAS TAKEN STRONGEST ACTIONS IN RECENT YEARS TO FORCE DOWN

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RISING PRICES. A NUMBER OF WELL KNOWN MERCHANTS HAVE

BEEN

PUT IN JAIL AND THEIR STORES CLOSED AT LEAST FOR A FEW DAYS. DRIVE ALSO IS BENEFITING FROM A SEASONAL TURN-DOWN IN PRICES OF FRESH PRODUCE. GOI OFFICIALS REITERATED THEIR DETERMINATION TO BRING ABOUT A REAL DECLINE IN RATE OF INFLATION. IF CAMPAIGN CONTINUES FOR ANOTHER FEW WEEKS, SOME GENUINE RESULTS MAY BE ACHIEVED. HOWEVER, THE DANGER OF CREATING DISTORIONS IN THE ECONOMY FROM PRICE CONTROL EVENTUALLY WILL HAVE TO BE FACED. MORE-OVER, A PROPORTIONATELY STRONGER SYSTEM OF RENT CONTROL STILL HAS NOT BEEN ANNOUNCED.

3. AIRGRAM REFERENCED ABOVE MADE POINT THAT SHAH-PEOPLE REVOLUTION HAD PREDOMINENTLY FOCUSSED ON RURAL POPULATION. ADDITION OF LATEST TWO POINTS CORRECTS THIS IMBALANCE. PRICE CONTROL IS THE MORE IMPORTANT OF THE TWO, AS INFLATION IS NUMBER ONE PUBLIC COMPLAINT IRANIANS HAVE AGAINST THEIR GOVERNMENT. SHAH CLEARLY SEES CHANCE TO ENHANCE HIS PUBLIC IMAGE BY TAKING RIGOROUS ACTION.
HELMS

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